

FEDERAL RESERVE BANK OF NEW YORK

33 LIBERTY STREET
NEW YORK, N.Y. 10045-0001
Telephone 212-720-6393
Facsimile 212-720-8707
Rich.Molloy@ny.frb.org

RICHARD E. MOLLOY
STATISTICS OFFICER

April 7, 2009

To: The Chief Executive Officer of Each U.S Branch and Agency of a Foreign Bank Located in the Second Federal Reserve District

The following report forms and instructions for the March 31, 2009 reporting date have been posted to the Federal Reserve Board's website at www.federalreserve.gov under "Reporting Forms":

- Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002);
- Supplemental Report of Assets and Liabilities of a Non-U.S. Branch that is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002s); and
- The Country Exposure Report for U.S. Branches and Agencies of Foreign Banks (FFIEC 019).

There are changes to the FFIEC 002 reporting form and instructions; however, there are no changes to the FFIEC 002S or 019 reporting forms or instructions for the March 31, 2009 report date.

The FFIEC 002 reporting form and instructions for Schedule O were revised to eliminate the primary and secondary contact fax number from the cover page and eliminate items 1 through 7 and Memorandum items 4 and 5 from Schedule O. As a result of the deletions, items A through F were renumbered to 1 through 6 and memoranda items 6 to memoranda items 4. Memorandum item 3 is now collected annually as of December 31.

Below is supplemental guidance for the FFIEC 002 addressing the reporting treatment of the Financial Accounting Standards 157 and 159:

Measurement of Fair Values in Stressed Market Conditions

The valuation of various assets and liabilities on the balance sheet – including trading assets and liabilities, available-for-sale securities, loans held for sale, assets and liabilities accounted for under the fair value option (which is discussed in the following section), and foreclosed assets – involves the use of fair values. During recent market stress events, the fair values of some financial instruments and nonfinancial assets may decline.

Institutions are reminded that the objective of a fair value measurement is to determine the price that would be received to sell an asset or transfer a liability in an orderly transaction (e.g., not a forced or distressed sale) at the balance sheet date. Accordingly, fair values should reflect current market conditions and consider recent transaction prices, where available. This fair value objective is generally applicable to all fair value measurements effective for fiscal years beginning after November 15, 2007 with the adoption of FASB Statement No. 157, which is discussed in the following section.

On September 30, 2008, the SEC's Office of the Chief Accountant and the FASB staff jointly issued clarifications that address several fair value measurement questions that have arisen in the current market environment (<http://www.fasb.org/news/2008-FairValue.pdf>). These clarifications are based on the fair value measurement guidance in FAS 157. On October 10, 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP FAS 157-3) (http://www.fasb.org/pdf/fsp_fas157-3.pdf). This FSP clarifies the application of FAS 157 in such a market and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Branches and agencies should consider these clarifications when measuring fair value for FFIEC002 reporting purposes.

On March 17, 2009, the FASB issued a proposed FSP that would provide additional guidance on determining whether a market for a financial asset is not active and a transaction is not distressed for fair value measurement purposes under FAS 157 (http://www.fasb.org/project/fas157_active_inactive_distressed.shtml). The proposed FSP would be effective for interim and annual reporting periods ending after June 15, 2009 with early adoption permitted.

Fair Value Measurement and Fair Value Option

FASB Statement No. 157, Fair Value Measurements (FAS 157), issued in September 2006, defines fair value, establishes a framework for measuring the fair value of assets and liabilities based on a three level hierarchy, and expands disclosures about fair value measurements. The FASB's three-level fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting branch or agency has the ability to access at the measurement date (e.g., the FFIEC 002 reporting date). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

According to FAS 157, observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. In contrast, unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

FAS 157 is effective for fiscal years beginning after November 15, 2007, and, with certain exceptions, is to be applied prospectively. However, on February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, which delays the effective date of FAS 157 to fiscal years beginning after November, 15, 2008, and interim periods within those fiscal years for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value on a

recurring basis, i.e., at least annually, in the financial statements. However, this delay does not apply to entities that have issued interim or annual financial statements or FFIEC 002 reports that include the application of the measurement and disclosure provisions of FAS 157. Branches and agencies must adopt FAS 157 for FFIEC 002 reporting purposes in accordance with the standard's effective date, including the delayed effective date for eligible nonfinancial assets and nonfinancial liabilities. Thus, a Branch or agency with a calendar year fiscal year must adopt FAS 157 as of January 1, 2008, and as of January 1, 2009, for eligible nonfinancial assets and nonfinancial liabilities subject to the delay mentioned above.

FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), issued in February 2007, would allow to report certain financial assets and liabilities at fair value with the changes in fair value included in earnings. In general, a branch or agency may elect the fair value option for an eligible financial asset or liability when it first recognizes the instrument on its balance sheet or enters into an eligible firm commitment. A branch or agency may also elect the fair value option for eligible items that exist on the effective date of FAS 159. A branch or agency's decision to elect the fair value option for an eligible item is irrevocable. A branch or agency that elects the fair value option is expected to apply sound risk management and control practices to the assets and liabilities that will be accounted for at fair value under the option. A branch or agency is also expected to meet the principals and objectives of FAS 159 when the fair value option.

Subscription Service

We offer a subscription service which enables you to receive recent news and updates on our reporting forms and instructions and upcoming Bank events. You can sign up for this service at the following website:

http://service.govdelivery.com/service/subscribe.html?code=USFRBNEWYORK_8

Reports Monitoring

Please note that the timeliness of receipt of each of these reports will be monitored and the submission of initial data via facsimile, even if prior to the deadline, does not constitute timely filing.

An original and one copy of the completed FFIEC 002 and FFIEC 002S report(s) (if applicable) must be returned to this Bank, by mail or messenger, no later than April 30, 2009. Any FFIEC 002/002S report received after 5:00 p.m. on April 30, 2009 will be considered late unless postmarked by April 28 or sent overnight service by April 29.

An original and one copy of the completed FFIEC 019 must be returned to this Bank, by mail or messenger by May 15, 2009. Any FFIEC 019 received after 5:00 p.m. on May 15, 2009 will be considered late unless postmarked by May 13 or sent by overnight service by May 14. Completed reports should be submitted to:

**Federal Reserve Bank of New York
Statistics Function
33 Liberty Street, 4th Floor
New York, NY 10045**

April 7, 2009

We will also continue to monitor the accuracy of the periodic regulatory reports submitted for the March 31, 2009 report date. The staff of this Reserve Bank will monitor whether banking organizations are meeting their basic reporting requirements through the use of “validity edits.” The current edits for the FFIEC 002/002S and FFIEC 019 reports that were sent to you in a previous mailing.

Electronic Submission Option

Electronic submission of the FFIEC 002/002S reports is available to all U.S. branches and agencies. We encourage you to take advantage of this method of reporting submission. Vendors have developed a software package that provides the means to submit the FFIEC 002/002S electronically. Submitting reports electronically using the software package provides the following benefits:

- A timely and efficient alternative to sending the report forms by mail; and
- A printed report is generated that can serve as your institution’s permanent record of the report.

For information on filing the FFIEC 002/002S report electronically, please contact Carolyn Polite at (212) 720-5415.

Website

The FFIEC 002/002S and the FFIEC 019 forms and instructions are available on the FFIEC website at: http://www.ffiec.gov/ffiec_report_forms.htm.

Questions regarding the FFIEC 002, FFIEC 002S and FFIEC 019 reports should be directed to Susanna Asaad, Senior Reports Analyst in the Regulatory Reporting Division at (212) 720-8021, or Henry Castillo, Team Leader in the Division at (212) 720-1318.

Sincerely,

** Signed by Richard Molloy*

Richard E. Molloy
Statistics Officer
Statistics Function